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UNCLAS SECTION 01 OF 02 DJIBOUTI 000755

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SUBJECT: DJIBOUTI: APRIL-MAY ECON-ESTH ROUNDUP

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¶1. This April-May 2009 Djibouti Economic-ESTH roundup includes:

- Chinese company to build rail spur to Djiboutis new port
- Fund grants first loans to local entrepreneurs
- New airline serving Djibouti and Yemen
- Indian firm evaluating potential Djibouti gold deposits
- New road links key northern regional capitals
- New policy pushes civil servants into formal banking sector
- Some relief on electricity prices
- Djibouti hosts regional trainees at state-of-the-art port
- Endangered wildlife brought back to Djibouti

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CHINESE COMPANY TO BUILD RAIL  
SPUR TO DJIBOUTIS NEW PORT  
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¶2. GODJ Minister of Transport Ali Hassan Bahdon signed an agreement April 15 with China Railway International for the construction of a 12 km rail link joining Djiboutis new USD 300 million Doraleh Container Terminal (DCT) to the Djibouti-Ethiopia rail line. The cost of the project, which also includes a truck depot, is estimated at more than USD 36 million, and will allow for rail transport of goods between the new port and Ethiopia. The French Agency for Cooperation funded feasibility studies for the project in 2008. Construction is planned to take place over two years. (NOTE: The Ethiopia-Djibouti rail link is not fully functional and will require rehabilitation if the Chinese-built rail link is to have its intended economic impact. END NOTE.)

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FUND GRANTS FIRST LOANS  
TO LOCAL ENTREPRENEURS  
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¶3. On April 16, the Djibouti Economic Development Fund (DEDF) gave its first loans--totaling over DJF 65 million (approximately USD 367,000)--to four local entrepreneurs. A second, larger group of local entrepreneurs are next slated to receive loans totaling more than USD 847,000. DEDF has received approximately USD 5 million in loan financing from the Kuwait Fund for Arab Economic Development. DEDFs mandate is to offer low interest rate loans to small- and medium-size

companies, boosting private sector growth and job creation. In collaboration with the Djibouti Social Development Agency (ADDS), DEDF also aims to assist to young, unemployed university graduates interested in starting their own businesses. In a recent Gallup Poll on attitudes toward entrepreneurship among Arab youth, 58 percent of Djibouti respondents said that they agreed that entrepreneurs help create jobs, while 39 percent said they planned to start their own business within the next year.

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NEW AIRLINE SERVING  
DJIBOUTI AND YEMEN  
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¶4. Felix Airways began serving Djibouti April 26. Felix Airways, the second-largest airline in Yemen, is beginning Djibouti operations with three weekly flights between Djibouti and Yemen, with plans to move toward a daily service. Felix Airways joins carriers including Air France, Air Kenya, Ethiopian Airlines, Daallo Airlines, and Djibouti Airlines in offering regular service to Djiboutis Dubai Ports World-managed Ambouli International Airport.

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INDIAN FIRM EVALUATING POTENTIAL  
DJIBOUTI GOLD DEPOSITS  
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¶5. JB Djibouti Mining, a subsidiary of Indian JB Group, has completed the first in a series of preliminary studies on potential gold deposits in Djiboutis southern region of Dikhil. These studies, begun in early 2008, primarily focused on evaluating surface-level samples. On the strength of more than 1,000 samples sent to Australia for testing, the company has reported positive results. President Guelleh visited the site April 16 to officially launch the second testing phase, which will focus on evaluating underground samples. If this second phase shows positive results, JB Djibouti Mining is expected to proceed with exploration.

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NEW ROAD LINKS KEY  
NORTHERN REGIONAL CAPITALS  
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¶6. On April 25, President Guelleh inaugurated a new road linking the two northern regional capitals of Tadjourah and Obock. The Kuwait Fund for Arab Economic Development financed the USD 26.5 million, 71 km road. The road, which significantly reduces travel time between the two cities, is intended to help boost economic growth in Obock and Tadjourah, both by easing regional travel, and reducing travel time to Djibouti Citys markets.

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NEW POLICY PUSHES CIVIL SERVANTS  
INTO FORMAL BANKING SECTOR  
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¶7. The Central Bank of Djibouti convened government agencies April 1 to raise awareness of a new presidential decree limiting cash payments to public and private sector employees. The new guideline requires wages equal to or greater than DJF 40,000 (approximately USD 226) to be electronically transferred into the recipients bank account. The new policy aims to encourage salaried employees to open bank accounts, as only an estimated 8 percent of Djiboutians currently hold a formal bank account.

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SOME RELIEF ON ELECTRICITY PRICES  
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¶8. On April 7, the government-owned monopoly utility company

EDD (Electricity of Djibouti) reduced its electricity rates by 9 percent. Officials from EDD indicated that the decision came as a result of the decrease in oil prices. EDD currently uses diesel generators; as in previous summers, equipment breakdowns have led to periodic power cuts as summer heat prompts a surge in electricity demand.

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DJIBOUTI HOSTS REGIONAL  
TRAINEES AT STATE-OF-THE-ART PORT  
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¶9. In May, ten Senegalese and two Algerian nationals were sent by their respective home ports to participate in a month-long training course at Djiboutis Doraleh Container Terminal (DCT). The Dubai Ports World-managed DCT posted a record handling of 70 containers per hour in April. The French shipping line CGM-CMA has recently chosen DCT as its main port for transshipment.

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ENDANGERED WILDLIFE BROUGHT  
BACK TO DJIBOUTI  
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¶10. The Ministry of Habitat, Urbanism, and Environment received seven wild donkeys, two Beisa oryx, and two Grevys zebras from a zoo in France April 2. The animals were entrusted to the center of the DECAN association, which operates a small wildlife refuge near Djibouti City. These species were once represented among Djiboutis fauna, but disappeared several decades ago.  
SWAN